Wages, Career Progression, Training and Work Family Policies: An Integrated Approach to Explaining Gender Discrimination

Dr Donna M Buttigieg
Department of Management
Monash University
Gippsland Campus, Churchill
Vic 3842
EMAIL: donna.buttigieg@buseco.monash.edu.au

Assoc. Professor Peter Gahan
Bowater School of Management & Marketing
Deakin University
221 Burwood Highway,
Burwood, VIC 3125
EMAIL: peter.gahan@deakin.edu.au
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ABSTRACT

Analysis of gender discrimination and EEO tend to be discipline focused and narrow in their scope. By reviewing the literature in a number of disciplines such as economics, sociology, industrial relations, human resource management, organisational studies and public administration the argument is put forward that a multi disciplinary approach is needed to understand and better measure the issue of gender discrimination. Furthermore, the paper illustrates that the endogeneity of discrimination in the form of wages, promotion, training and work-family policy need to be incorporated in future research on discrimination.

Keywords
Discrimination; wages; promotion; gender; training; work-family policies
INTRODUCTION

While the Equal Employment Opportunities (EEO) literature suggests that considerable progress has been made towards addressing gender-based discrimination (primarily through legal instruments), direct and indirect\(^1\) forms of discrimination persist and tend to be perpetuated through organisational practices (Tomaskovic-Devey 2001). Women are still receive less remuneration than men and are disadvantaged with respect to fundamental entitlements such as promotion and training and education. Furthermore, as more women enter employment the issue of work and family balance has become an organisational priority.

There is a large body of research literature in the disciplines of economics, sociology, industrial relations, human resource management, organisational studies and public administration that examines the sources, nature and extent of gender-based discrimination in labour markets. This paper seeks to integrate this literature by taking a multi-disciplinary approach to the problem of women, EEO and discrimination. It is argued that our understanding of discrimination is greatly enhanced by theories and models that incorporate both economic and organisational explanations. Furthermore, it is argued that discrimination in terms of promotion, pay and training are endogenous. That is, the interrelationship between these variables needs to be taken into account simultaneously to accurately estimate the degree of direct and indirect discrimination that women face.

The paper provides a review of the literature on the key themes of pay equity, career progression, education and training and work-family policy, and seeks to provide a synthesis of key themes. Emerging from this literature are a number of testable hypotheses. The paper concludes with suggestions for future research.

LITERATURE REVIEW

Pay Equity

Much of the economics literature focuses its attention on inequity between men and women with

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\(^1\) Direct discrimination refers to the less favourable treatment of an individual on the basis of an attribute in comparison to others without that attribute. Direct discrimination may be intended or unintended (Davies, 1982). Indirect discrimination occurs where practices and policies are equally applied to all employees (and therefore appear non discriminatory at face value), but in effect disadvantage certain groups where those groups have little chance of meeting the criteria (Brooks, et al, 2003).
respect to wages. A review by Austen, Birch, Cabalu and Kenyon (2004) suggests that while the gender difference in wage outcomes has declined over the last two decades, a significant gender-based difference remains, with most recent estimates of a 14.1% differential overall (Preston and Crockett, 1999).

For economists, the basis for explaining wage differences is human capital theory (HCT). HCT posits that wages reflect differences in productive attributes (for example, skill and intellectual ability) that together, constitute a person’s human capital (Becker 1964). The empirical research, however, suggests that gender-based differences in wages only partially reflect differences in human capital attributes among men and women (Kidd and Ferko 2001, Kidd and Shannon 2002). This research consistently demonstrates that men enjoy a significantly higher return (in the form of wages) on their human capital attributes than do women.

Two principal models have been explored to explain wage differentials: the prejudice or taste model, and the statistical discrimination model. In these models, discrimination does not arise out of some personal taste or preference for discrimination against the group with which individual candidates are identified, but rather there is an assumption that an individual’s attributes will reflect averages identified for that group. For example, there is frequently an assumption that women, on average, have higher turnover. This can translate into a stereotyped assumption, which influences hiring and promotion decisions, resulting in fewer jobs and lower wages for women (Aigner and Cain, 1977). The widespread use of statistical discrimination in screening potential applicants may generate a self-sustaining dynamic. Faced with the prospect of low probabilities of being successful in job applications, women may change search behaviour or be willing to accept lower paying, less demanding jobs than men with similar attributes (Mortensen 1986). Women may, as a result of lower wage expectations, invest less in accumulating additional skills and other human capital because they

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2 The taste model of discrimination, which derives from the seminal work of Becker (1971), suggests that a firm will discriminate among employees on the basis of non-productive attributes due to personal prejudice - or a ‘taste’ for discrimination – held by either the employer themselves, customers, or other employees (see Ehrenberg and Smith (1997) for an overview of each of these ‘taste’ models of discrimination).

The second theory, the statistical model of discrimination, begins with the observation that organisations have limited access to information about the quality of individual job applicants, and procuring accurate information may be costly. In the absence of adequate information, employers are likely to rely on information gained directly from job applicants, as well as characteristics of the groups which define the identities of individual applicants, including sex and race (Arrow, 1972, Spence, 1973, Akerlof, 1976, Aigner and Cain, 1977, Beiby and Baron, 1986, Reskin, 1993).
expect the returns of doing so to be less than returns to comparable men. Similarly employers would have less inclination to invest in the training and development of female workers because of their higher probability of leaving the firm to attend to family responsibilities. Again, there are a range of studies that find evidence consistent with statistical models of discrimination against women and other groups (see Cain, 1986, Mincer and Ofek, 1982, Polachek, 1981; Chapman, 1987).

A third alternative approach to explaining wage differentials is sex segregation theories. Occupational gender segregation describes the fact that particular jobs and occupations are dominated by either men or women (Scott, 1994). The concentration of women in particular jobs such as sales, nursing, teaching, secretarial work and clerical work have been documented across a number of different countries (Grimshaw and Rubery, 1997 cited in Grimshaw, Whitehorse and Zeitlan, 2001).

Occupational segregation has a significant impact on career mobility, earnings, training and industrial protection (Chang, 2000 cited in Watts, 2003; Scott, 1994). US studies conclude that sex segregation accounts for over 90% of the wage differential between men and women (Peterson and Morgan, 1995 cited in Tomaskovic-Devey and Skaggs, 2002; Tomaskovic-Devey, 1993 cited in Tomaskovic-Devey and Skaggs, 2002). An Australian study by Pocock and Alexander (1999) found that taking into account segregation according to industry, occupation, workplace and job cell accounts for between 58% and 81% of the gender wage differential. Other Australian studies that have examined sex segregation as an explanatory variable for wage differentials have found sex segregation to be an important factor (Whitehouse, 2001; Grimshaw, et al, 2001).

Segmentation – or segregation – has also been identified within internal labour market structures and personnel practices (Reskin 1991). This research, which has been explored by organisational researchers, examines a range of personnel decisions that might generate internal segmentation and discriminate against women. In the following section we examine this research in relation to non-wage forms of discrimination – career progression, access to training and development and the take up of family friendly work policies.

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3 Occupational segregation can broadly be explained examining the individual as the unit of analysis (HCT, sex role stereotyping models) or as a wider social problem (segmented labour market theories and feminist theories); (see Watts, 2003 for a discussion of these theories).

4 The terms segmentation and segregation are used here interchangeably, although some writers differentiate between the two processes.
**Career Progression**

We noted above that much of the literature examining gender-based inequality in the labour market has focused on calculating wage differentials between men and women. More recently, however, the literature examining wage differentials has come under some criticism because of the relationship between promotions with earnings – which give rise to a problem of *endogeneity* (interrelatedness). Given that there is interrelatedness between promotions and wages, a simple estimation of wage differentials without taking into account differences in promotion has the effect of underestimating the wage differential. McCue (1996) for instance found that promotion accounts for 9-18 per cent of the wage growth over an individual’s life cycle. Another study by Pudney and Shields (2000) found that after controlling for the endogeneity of participation in the labour market and training, male nurses in the UK experienced a substantial advantage over females in terms of promotion, which accumulated to a salary difference of between 35,000 to 48,000 pounds over a nurse’s career. Because of these effects, Jones and Makepeace (1996) suggest that calculating wage differentials is ‘not meaningful for the simple reason that earnings are determined by the individual’s grade in the organisation and the length of time on each grade’ (p. 401). In order to get at the question of the relationship between promotions and gender earnings equity, researchers have sought to address the issue of what determines the probability of promotion and whether there is a gender component.

Much of the literature examining gender and promotions has found that women face a ‘glass ceiling’ (Gjerde, 2002). In a highly influential study, Lazaer and Rosen (1990) explain this phenomenon in a manner similar to the screening model of wage discrimination outlined above. They suggest that women are more likely to leave organisations because they possess more non-market abilities than men, providing them with a comparative advantage in the home. Given that exits are costly to the organisation, the employer is argued to impose higher promotion standards for women than men, resulting in fewer promotions for the former.

Other theories that attempt to explain differential rates of promotion for women and men are those that focus on human capital (Becker, 1964), social capital (Burt, 1998 cited in Tharenou, 1999), resource development (Ragins and Sundstrom, 1989); family context (Kirschmeyer, 1998) and internal
employment structures (Buttigieg and Walsh, 2000).

HCT posits women receive fewer promotions because they invest less in human capital (i.e. training and education). In this pure model, selection for promotions is assumed to be based on merit and, because women have lower skills and knowledge, they are less likely to be promoted. However, studies show that human capital attributes alone do not explain differences in promotion rates between men and women (Tharenou, 1999). Some studies have found that education is more important for women in moving up the organisational ladder (Cannings and Montmarquette, 1991), whereas others have found the reverse to be true (Tharenou, Latimer and Conroy, 1994).

Social capital theory (Burt, 1998 cited in Tharenou, 1999), on the other hand, explains females’ lack of promotional attainment on the existence of social capital, which is defined as the ‘standing that an individual has in an organisation and the concurrent ability to draw on that standing to influence the actions of others’ (Tharenou, 1999: 113). This hypothesis states that women face disadvantage with respect to promotion because they are stereotyped and they are excluded from the dominant culture and networks (Tharenou, 1999).

Heilman (1997 cited in Tharenou, 1999) argues that women face discrimination because they are perceived not to have personal characteristics consistent with those required for senior positions. Whereas men are stereotyped as possessing characteristics that are perceived to be desirable for senior positions (i.e. strength, rationality and assertiveness), women are argued to possess ‘softer’ characteristics (emotional, non objective and dependent) (Heilman, 1997 cited in Tharenou, 1999; Liff and Ward, 2001).

Women might also be discriminated against because of exclusion from the dominant male organisational culture. A study by Konrad and Pfeffer (1991) found that women were more likely to be promoted when there were greater numbers of women in the organisation, or when the previous position of seniority had been held by a woman. Importantly, a longitudinal study by Tharenou (2001) showed that women’s promotions at lower and middle management levels were affected negatively by male hierarchies and positively at senior levels by career encouragement. Finally, the exclusion of women from networks has also been found to be a significant deterrent for promotions (Kanter, 1977).
Cannings and Montmarquette (1991) found in a Canadian study that the most important determinant of promotions for men was informal networks. Women were more dependent on formal characteristics such as performance scores and education. Liff and Ward’s (2001) qualitative study of women in senior management in a bank found that promotions were also related to informal networks, where men had greater access to mentors and support.

The resource development model suggests that men accumulate more power resources (i.e. from formal positions, interpersonal relationships and individual characteristics) than women at critical stages of their careers (Ragins and Sundstrom, 1989 cited in Tharenou, 1999). Tharenou (1999:126) states that ‘overall, the gender differences in resources compound over time, resulting incrementally in women’s lack of advancement to positions of power’. In a later study, she finds further support for this theory as women had reduced opportunities for advancement at lower levels of the organisation (from supervisors to lower management). This has a cumulative effect from lower to middle management to higher management (Tharenou, 1999).

A fourth explanation for differential promotions is based on family context. Here it is argued that career advancement for women may be disadvantaged by marriage and children because of greater family responsibilities resulting from social, personal and structural reasons. According to HCT, women with family responsibilities may also signal to their employer that they have lower labour market attachment because of career interruptions. The existence of a partner and children, however, is argued to have a positive impact on the career of males, as the roles of work and family are less conflicting (Chenevert and Tremblay, 2002; Tharenou, 1999). The findings in the literature are inconclusive (Tharenou, et al 1994, Chenevert and Tremblay, 2002; Tharenou, 1999).

The structure of the internal labour market (ILM) has also been found to be important in explaining gender inequity, with evidence that formal ILMs may both hinder and promote the quest for gender equity (Buttigieg and Walsh, 2000). Formalisation of policy with respect to performance management and job descriptions provide standards by which decisions such as hiring, promotion and training are made. This should have the effect of reducing discriminatory behaviour by making the organisation and its managers’ accountable (Huffman and Velasco, 1997; Williamson, Wachter and Harris, 1975).
An underlying assumption of this argument, however, is that women and men operate in the same internal labour market where the entry points and progression paths are identical (Crompton and Jones, 1984). However, this is not necessarily the case where there is sex segregation of jobs. Women may be located in inferior ‘female’ jobs with shorter career paths and opportunities for advancement.

**Training and Development**

HCT states that skills and abilities are determined by education and training (organisation specific and general) (Becker, 1971). As we have earlier noted, human capital is a key determinant of promotions and wages. More recent research on this issue has cast the relationship in a new manner, finding linkages between promotions, opportunities for training and pay. These findings suggest that a vicious cycle may be established in which women are overlooked for training opportunities and promotions which in turn influences their relative pay outcomes (Pergamit and Veum, 1999; Pudney and Shields, 2000).

Tharenou, et al’s (1994) study of managerial advancement, for instance, demonstrates the path through which training impacts on promotion. This study found strong links between career encouragement and access to training opportunities, a relationship that was particularly strong for women. Training then influenced the probability of gaining a promotion, although this effect was more substantial for men than women. On the whole, women receive substantially less career encouragement and training than men, explaining in part lower promotions. The study also found that work experience had a significant impact on training. The fact that career interruptions imply that many women do not have the same levels of work experience has implications for both training and promotional opportunities. This view is supported by much empirical evidence which finds access to training opportunities may be important, but will only have marginal effects on women’s probability of being promoted (Gjerde, 2002).

Studies show that women tend to receive less training, on average, compared with men (Gjerde 2002). This presents some explanation for lower promotion and pay rates for women. Firms may invest less in women because of an expectation of poorer rates of return for organisations, assuming career interruptions and a perception that women have less commitment overall to the labour market (Mincer,
Where women have received similar amounts of training, some studies show that women were more likely to arrange their own off-site training undertaken in their own time, whereas men were more likely to experience employer-sponsored training (Miller, 1994). A study by Smithey and Lewis (1998) found that white males were more likely to receive management training than women, although women were more likely to undertake more general training. Importantly, however, studies by Lynch (1992) and Veum (1995) found that employer-sponsored training, which tends to be firm specific, had a greater impact on wages.

A study by Olsen and Sexton (1996) found that a significant determinant of current training is having previously received general training. They found that men who had previously received general training obtained double the level of current training between 1976 and 1985. Furthermore, women who had previously received specific training acquired greater current training. This study confirms that organisation-specific training is likely to be important over the lifetime of a woman’s career (also see Garcia-Crespo 2001).

In a review of the literature on training and women, Whittard (2003) suggests that gender in itself is not an important predictor of training. Instead, she suggests that gender interacts with caring responsibilities, which results in disadvantage for women. This is supported by the available Australian evidence (see VandenHeuvel and Wooden, 1999; Roussel, 2002).

Finally, sex segregation also has implications for training opportunities for women. Where women are working in occupations such as clerical, sales, and service, which require more general rather than specific skills, the opportunities for organisation-specific training is reduced (Watts, 2003).

**Work-Family Policy**

Policies that are ‘family friendly’ or which promote work-family balance are defined as those that that are ‘designed to minimise the impact of work on family life’ (Hartin, 1994 cited in Strachan and Burgess, 1998). Whilst work-family policies are increasingly being used by Australian employees to care for older members of their families, their primary application has been in relation to caring for children. Women still unequally take on the burden of childcare and make adjustments to their working lives because of parenthood (Tyrrko, 2002). However, unlike in the past where the dominant model
was for women to exit the labour market permanently when they have children, women now tend to withdraw from the labour market temporarily for the period of childbirth and the early years of child rearing but then re-enter the labour market at a later stage. Their re-entry into the labour market, however, does not necessarily mean that they go back to the same job or the same hours of work, with many women taking on part-time work (Charlesworth, et al, 2002).

Charlesworth, et al (2002) have highlighted that many women who return to work and take on part-time employment trade off their conditions of employment. Much part-time work is associated with shorter hours, is of low status and casual. That is, women in part-time work do not experience the same consideration for promotion or training opportunities (Whittard, 2003).

The provision of work-family policies is argued to go some way to addressing inequality at the workplace for women. However, some commentators have made arguments that while this addresses the needs of women, it fails to get to ‘the root of gender inequality’. This is because it reinforces the differences between men and women by implying that women have special requirements to adjust to male working patterns rather than addressing the gendered nature of organisational practices (Strachan and Burgess, 1998).

Furthermore, the existence of work-family policies in the workplace does not necessarily mean that they are utilised by employees. Loy and Wharton (2002), for instance, note that:

> Although it has become legitimate for organizations to offer work-family policies, these policies are not yet embedded within other corporate cultures and it is not self evident that employees will actually use them (Kelly, 1999).

That is, although employers may view these policies as tools for recruiting and retaining employees, they often conflict with more entrenched organisational norms, such as an ‘overtime culture’, ‘work devotion’ (Blair-Loy, 2001), and a belief in the value of ‘face time’ (Perlow, 1997). Thus, employees may conclude that using work-family benefits will be costly for their careers. Finally, where policies might be controversial, the meanings and expectations of policy might vary across the organisation and be interpreted differentially by supervisors and workgroups (Loy and Wharton, 2002). Co-workers and supervisors’ workplace power have been found to be important predictors of the use of work-family policies by managerial and professional employees. For women, the research suggests that the
capacity to resolve work-family conflict is largely a product of supervisory support, job security, technology and work hours (Batt and Valcour, 2003).

A PROPOSED MODEL AND HYPOTHESES

Drawing on the literature, a number of hypotheses can be articulated for testing in future research. It is expected that:

1. Women will be concentrated in particular industries (i.e. health and education) and particular occupations (i.e. nurses, teachers)
2. Women will earn lower wages than men. This will be partially, but not wholly explained by differences in human capital.
3. Women will have lower rates of promotion, resulting in lower rates of pay
4. Women will have lower social capital and therefore will have lower rates of promotion, pay and training
5. Women working part-time will be less likely to experience promotions and training
6. Women with family responsibilities will be less likely to experience promotions and training.
7. Women will experience less firm specific training than males, resulting in a negative impact on promotions and wages for women
8. Women with caring responsibilities will be more likely than men to take on part-time work and seek to reduce working hours in order to juggle their work-family responsibilities
9. More senior positions will present barriers for women because of their ‘family unfriendliness’ i.e. long working hours.

CONCLUSION

The purpose of this paper was to provide an overview of the enormous amount of research now undertaken on discrimination based on gender, by taking an interdisciplinary approach. In particular, our understanding of discrimination is enhanced by incorporating an approach that encompasses both economic and organizational explanations of discrimination. An examination of the literature also shows that any attempts to assess the extent of discrimination must take into account the interrelationships between pay, promotion, training and work-family policy. In this paper we have outlined some hypotheses that incorporate some of these issues.

Future research needs to take into account these endogeneity problems. Furthermore, we call upon researchers to broaden their theoretical explanations beyond discipline boundaries in order to appropriately measure and understand the complex phenomenon of discrimination.
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